# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1929
ANSWERED ON:26.07.2002
NON-BANKING COMPANIES
RAVINDRA KUMAR PANDEY

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Government are aware that a large number of non-banking companies/private banks are indulged in misappropriation of depositors money;

(b) if so, whether the Government propose to check the rampant opening of Non-Banking Companies/Private Banks in the country;

(c) if so, the action taken by the Government against those Non-Banking Companies/ Private Banks which are indulged in misappropriation of depositors savings;

(d) whether the Government have instituted a separate department for defaulter Non-Banking Companies; and

(e) if so, the details thereof ?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) :- Reserve Bank of India (RBI) has reported that two specific cases of alleged misappropriation of funds have been reported to RBI by M/s Tulunadu Finance and Development Ltd. Bangalore and M/s TATA Finance Ltd., Mumbai.

(b):- Yes, Sir. The commencement/carrying on business of an Non-Banking Financial Institution by any company requires obtention of a Certificate of Registration from Reserve Bank of India under Section45-IA of the Reserve Bank of India Act, 1934.RBI has further reported that opening of private sector banks in the country is regulated under the Banking Regulation Act, 1949 and no bank can commence banking operations without a license issued by RBI.

(c):- The action initiated by RBI against the two companies in question is as under :-

(i) Winding up petition in respect of Tulunadu Finance & Development Ltd., has been admitted by Hon`ble High Court of Karnataka.

(ii) M/s TATA Finance Ltd. has filed complaints with the Economic Offence Wing, Crime Branch, CID, Mumbai againstthe ex-Managing Director, Shri D.S. Pendse andother officials for alleged fraud/cheating to the tune of Rs. 400 crores by violating the provisions of various statutes including the RBI norms.
It may, however, be noted that M/s Tata Finance Ltd. has not defaulted in repayment of deposits so far.

(d) & (e) :- RBIhas been entrusted with the responsibilities of regulating and supervising the NBFCs; however there is no separate Department within the Bank for dealing with `defaulter` NBFCs. However, Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthylines. The regulatory framework includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder. Government hasintroduced Financial Companies Regulation Bill, 2000 in the Lok Sabha on 13th December, 2000. The Bill has been referred to Standing Committee on Finance by the Hon`ble Speaker, Lok Sabha.